Loan application

Once you have found the home of your dreams and you've signed the offer to purchase which has been accepted by the seller, it's now time to apply for a home loan. The time it takes for a home loan application to be approved depends on several factors that impact both the buyer and home loan provider.

This is the process you should anticipate when a home loan provider is processing your home loan application:

- You will need to provide the home loan provider with the following minimum documents, which they will validate if all are in order:
  - Application form with your personal details
  - Proof of identification
  - Latest proof of income – this will vary between employed and self-employed applicants
  - Latest three months' banks statements
  - Copy of a deed of sale agreement

  Note: The above is a non-exhaustive list of requirements when a home loan provider is assessing an application. It may differ slightly from one home loan provider to another.
- The home loan provider will assess your application taking into consideration, the location and market value of the property, as well as your affordability and credit health status.
- You will then be contacted by the home loan provider to advise you of their decision to approve the application "in principle". The approval will be subject to the home loan provider doing an assessment of the property ensuring it is in good condition and that the sale price is aligned to its market value.
- The home loan provider assigns a valuer to evaluate the property. If the valuation has been successful, the home loan provider will prepare a formal contract detailing the terms and conditions of the home loan, as well as the interest rate to be charged.

The interest rate charged will depend on how much of a risk your home loan provider considers you to be and the market forces. A combination of a high deposit and a good credit score can improve the interest rate a home loan provider offers you.

Interest rates can be charged at a fixed or variable rate. A variable interest rate means the interest rate on your home loan will rise and fall with the market, while a fixed interest rate stays the same regardless of market forces for an agreed period. After your bond is registered, you have the option of asking the bank to fix your interest rate.

The factors that play a role in whether your home loan will get approved include:

- **Your credit score:** This is a single most important factor that tells a home loan provider how much of a risk you are. If your credit score is low, you should consider working on increasing your score to improve your chances of approval.
- **Size of your deposit:** Home loan providers consider you less of a risk if you can put down a sizeable deposit toward your home. The more money you deposit, the higher your chances of the home loan being approved. Although deposits help, not having a deposit does not mean you will not be approved for a home loan.
- **Value of the property:** If the value of the property is less than the home loan amount you are applying for, the home loan provider may not approve the home loan. Alternatively, they may approve a lesser amount.